

**ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
INVESTMENT PERFORMANCE REPORT AS OF AUGUST 31, 2004**

| | August-04 | | | | July-04 | | | | Current | Prior Year | 3 Years | 5 Years |
|---|--------------------|--------------|--------------|---------------|--------------------|--------------|--------------|---------------|---------------|---------------|--------------------|--------------------|
| | Market Value | Allocation | Month | Net ROR | Market Value | Allocation | Month | Net ROR | Fiscal YTD | FY04 | Ended 6/30/2004 | Ended 6/30/2004 |
| LARGE CAP DOMESTIC EQUITY | | | | | | | | | | | | |
| Structured Growth | | | | | | | | | | | | |
| LA Capital | 55,156,291 | 4.3% | 4.5% | -0.57% | 55,505,575 | 4.3% | 4.5% | -5.13% | -5.68% | N/A | N/A | N/A |
| Total Structured Growth | 55,156,291 | 4.3% | 4.5% | -0.57% | 55,505,575 | 4.3% | 4.5% | -5.13% | -5.68% | 19.20% | -5.87% | -7.07% |
| Russell 1000 Growth | | | | -0.49% | | | | -5.65% | -6.12% | 17.88% | -3.74% | -6.48% |
| Structured Value | | | | | | | | | | | | |
| LSV | 61,560,049 | 4.8% | 4.5% | 1.47% | 60,654,290 | 4.7% | 4.5% | -1.26% | 0.20% | 29.44% | 9.20% | 8.31% |
| Russell 1000 Value | | | | 1.42% | | | | -1.41% | -0.01% | 21.13% | 2.96% | 0.64% |
| Enhanced Russell 1000 Index | | | | | | | | | | | | |
| LA Capital | 75,690,904 | 5.9% | 6.0% | 0.10% | 75,642,526 | 5.9% | 6.0% | -4.05% | -3.96% | 18.59% | -0.17% | N/A |
| Russell 1000 | | | | 0.49% | | | | -3.51% | -3.04% | 19.48% | -0.32% | N/A |
| Enhanced S&P 500 Index | | | | | | | | | | | | |
| Northern Trust | 76,665,918 | 5.9% | 6.0% | 0.33% | 76,432,291 | 6.0% | 6.0% | -3.67% | -3.35% | 19.00% | -0.31% | N/A |
| Strong | 9,299 | 0.0% | 0.0% | 0.00% | 2,367,141 | 0.2% | 0.0% | 0.00% | 0.00% | 21.13% | -0.06% | N/A |
| Westridge | 76,461,142 | 5.9% | 6.0% | 0.44% | 76,161,611 | 6.0% | 6.0% | -3.30% | -2.88% | 19.30% | -0.36% | N/A |
| Total Enhanced S&P 500 Index | 153,136,359 | 11.9% | 12.0% | 0.38% | 154,961,043 | 12.1% | 12.0% | -3.18% | -2.81% | 19.81% | -0.24% | N/A |
| S&P 500 | | | | 0.40% | | | | -3.31% | -2.92% | 19.11% | -0.69% | N/A |
| S&P 500 Index | | | | | | | | | | | | |
| State Street | 38,992,380 | 3.0% | 3.0% | 0.41% | 38,835,600 | 3.0% | 3.0% | -3.31% | -2.92% | 19.08% | -0.67% | -2.17% |
| S&P 500 | | | | 0.40% | | | | -3.31% | -2.92% | 19.11% | -0.69% | -2.20% |
| TOTAL LARGE CAP DOMESTIC EQUITY | 384,535,984 | 29.8% | 30.0% | 0.27% | 385,599,034 | 30.2% | 30.0% | -3.43% | -3.17% | 20.38% | 0.08% | -2.14% |
| S&P 500 | | | | 0.40% | | | | -3.31% | -2.92% | 19.11% | -0.69% | -2.20% |
| SMALL CAP DOMESTIC EQUITY | | | | | | | | | | | | |
| Manager-of-Managers | | | | | | | | | | | | |
| SEI | 121,567,315 | 9.4% | 10.0% | -1.22% | 123,158,497 | 9.6% | 10.0% | -7.32% | -8.45% | 33.33% | 5.76% | N/A |
| Russell 2000 + 200bp | | | | -0.35% | | | | -6.57% | -6.89% | 35.99% | 8.43% | N/A |
| TOTAL SMALL CAP DOMESTIC EQUITY | 121,567,315 | 9.4% | 10.0% | -1.22% | 123,158,497 | 9.6% | 10.0% | -7.32% | -8.45% | 33.33% | 5.76% | 6.81% |
| Russell 2000 | | | | -0.51% | | | | -6.73% | -7.21% | 33.36% | 6.24% | 6.63% |
| INTERNATIONAL EQUITY | | | | | | | | | | | | |
| Large Cap - Core | | | | | | | | | | | | |
| State Street | 26,304,770 | 2.0% | 2.0% | -0.03% | 26,394,583 | 2.1% | 2.0% | -3.04% | -3.07% | 27.44% | 0.42% | -1.44% |
| MSCI EAFE - 50% Hedged | | | | 0.12% | | | | -2.80% | -2.68% | 26.98% | -1.27% | -1.15% |
| Large Cap - Active | | | | | | | | | | | | |
| Capital Guardian | 63,629,328 | 4.9% | 5.0% | 0.33% | 63,739,370 | 5.0% | 5.0% | -2.97% | -2.65% | 25.40% | -1.15% | 1.54% |
| Bank of Ireland | 12,846,763 | 1.0% | 1.0% | -0.13% | 12,919,739 | 1.0% | 1.0% | -3.34% | -3.46% | 23.61% | N/A | N/A |
| Total Large Cap - Active | 76,476,091 | 5.9% | 6.0% | 0.25% | 76,659,109 | 6.0% | 6.0% | -3.03% | -2.78% | 25.11% | -0.79% | 1.76% |
| MSCI EAFE - 50% Hedged | | | | 0.12% | | | | -2.80% | -2.68% | 26.98% | -1.27% | -1.15% |
| Small Cap - Active | | | | | | | | | | | | |
| Lazard | 13,668,357 | 1.1% | 1.0% | 0.66% | 13,617,272 | 1.1% | 1.0% | -2.84% | -2.20% | 44.40% | N/A | N/A |
| Wellington | 12,759,891 | 1.0% | 1.0% | -1.15% | 13,617,428 | 1.1% | 1.0% | -4.65% | -5.75% | 42.26% | N/A | N/A |
| Total Small Cap - Active | 26,428,248 | 2.1% | 2.0% | -0.25% | 27,234,700 | 2.1% | 2.0% | -3.74% | -3.97% | 43.25% | N/A | N/A |
| Citigroup Broad Market Index < \$2BN | | | | 1.00% | | | | -4.20% | -3.24% | 47.95% | N/A | N/A |
| TOTAL INTERNATIONAL EQUITY | 129,209,109 | 10.0% | 10.0% | 0.09% | 130,288,392 | 10.2% | 10.0% | -3.18% | -3.10% | 29.19% | 2.00% | 1.63% |
| MSCI EAFE - 50% Hedged | | | | 0.12% | | | | -2.80% | -2.68% | 26.98% | -1.27% | -1.15% |
| EMERGING MARKETS EQUITY | | | | | | | | | | | | |
| Capital Guardian | 63,352,679 | 4.9% | 5.0% | 4.19% | 60,803,528 | 4.8% | 5.0% | -1.94% | 2.17% | 27.91% | 8.93% | 2.83% |
| MSCI Emerging Markets Free | | | | 4.19% | | | | -1.77% | 2.34% | 33.50% | 13.09% | 3.25% |
| DOMESTIC FIXED INCOME | | | | | | | | | | | | |
| Core Bond | | | | | | | | | | | | |
| Western Asset | 36,088,888 | 2.8% | 2.4% | 2.06% | 35,364,200 | 2.8% | 2.4% | 1.23% | 3.31% | 2.02% | 8.00% | 8.39% |
| Lehman Aggregate | | | | 1.91% | | | | 0.99% | 2.92% | 0.32% | 6.35% | 6.95% |
| Active Duration | | | | | | | | | | | | |
| WestAM (Criterion) | 35,021,204 | 2.7% | 2.4% | 1.53% | 34,482,667 | 2.7% | 2.4% | 0.88% | 2.42% | -0.25% | 5.14% | 6.43% |
| Lehman Aggregate | | | | 1.91% | | | | 0.99% | 2.92% | 0.32% | 6.35% | 6.95% |
| Index | | | | | | | | | | | | |
| Bank of ND | 53,128,322 | 4.1% | 4.3% | 2.19% | 61,901,064 | 4.8% | 5.0% | 0.95% | 3.15% | -1.03% | 6.88% | 7.04% |
| Bank of ND Match Loan CD Program | 22,439,637 | 1.7% | 1.7% | 0.36% | 12,415,498 | 1.0% | 1.0% | 0.42% | 0.79% | 5.08% | 5.57% | 5.70% |
| Total Index | 75,567,960 | 5.9% | 6.0% | 1.84% | 74,316,562 | 5.8% | 6.0% | 0.85% | 2.71% | 0.23% | 6.79% | 6.83% |
| Lehman Gov/Credit | | | | 2.12% | | | | 1.06% | 3.19% | -0.72% | 6.73% | 7.10% |

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| | August-04 | | | | July-04 | | | | Current | Prior Year | 3 Years | 5 Years |
|---|---------------|------------|--------|---------|---------------|------------|--------|---------|------------|------------|-----------|-----------|
| | Market Value | Allocation | Month | Net ROR | Market Value | Allocation | Month | Net ROR | Fiscal YTD | FY04 | Ended | Ended |
| | | Actual | Policy | | | Actual | Policy | | Net ROR | Net ROR | 6/30/2004 | 6/30/2004 |
| | | | | | | | | | | | Net | Net |
| Convertibles | | | | | | | | | | | | |
| TCW | 33,221,649 | 2.6% | 2.4% | -0.36% | 33,388,689 | 2.6% | 2.4% | -4.83% | -5.17% | 16.74% | 0.51% | 3.89% |
| <i>First Boston Convertible Index</i> | | | | -0.30% | | | | -2.49% | -2.78% | 14.44% | 4.95% | 5.78% |
| BBB Average Quality | | | | | | | | | | | | |
| Strong | 34,818,311 | 2.7% | 2.4% | 2.39% | 34,003,045 | 2.7% | 2.4% | 1.57% | 4.00% | 1.29% | 6.26% | 7.23% |
| <i>Lehman BBB</i> | | | | 2.55% | | | | 1.40% | 3.99% | 1.23% | 8.23% | 6.60% |
| Timberland | | | | | | | | | | | | |
| Evergreen (Wachovia) | 110,145,822 | 8.5% | 8.5% | 3.93% | 105,985,960 | 8.3% | 8.3% | 0.00% | 3.93% | 10.46% | N/A | N/A |
| | | | | | | | | | | | N/A | N/A |
| TOTAL DOMESTIC FIXED INCOME | 324,863,833 | 25.2% | 24.0% | 2.35% | 317,541,122 | 24.9% | 24.0% | 0.04% | 2.40% | 5.08% | 6.35% | 7.34% |
| <i>Lehman Aggregate</i> | | | | 1.91% | | | | 0.99% | 2.92% | 0.32% | 6.35% | 6.95% |
| HIGH YIELD BONDS | | | | | | | | | | | | |
| Loomis Sayles | 33,358,958 | 2.6% | 2.5% | 3.04% | 32,427,042 | 2.5% | 2.5% | 1.21% | 4.29% | N/A | N/A | N/A |
| <i>Lehman High Yield Cash Pay Index</i> | | | | 1.96% | | | | 1.37% | 3.36% | N/A | N/A | N/A |
| Sutter/Wells Capital | 33,500,523 | 2.6% | 2.5% | 1.52% | 33,029,715 | 2.6% | 2.5% | 1.30% | 2.84% | N/A | N/A | N/A |
| <i>Merrill Lynch High Yield Master II Index</i> | | | | 1.84% | | | | 1.33% | 3.19% | N/A | N/A | N/A |
| TOTAL HIGH YIELD BONDS | 66,859,481 | 5.2% | 5.0% | 2.27% | 65,456,757 | 5.1% | 5.0% | 1.26% | 3.56% | 7.69% | 6.68% | 2.79% |
| <i>Lehman High Yield Bond Index</i> | | | | 1.96% | | | | 1.36% | 3.35% | 10.33% | 9.30% | 4.78% |
| INTERNATIONAL FIXED INCOME | | | | | | | | | | | | |
| International Sovereign | | | | | | | | | | | | |
| UBS Global (Brinson) | 31,218,975 | 2.4% | 2.5% | 2.32% | 30,485,037 | 2.4% | 2.5% | -0.96% | 1.33% | 7.86% | 14.20% | 6.47% |
| <i>Citigroup Non-US Gov't Bond Index (1)</i> | | | | 2.45% | | | | -0.88% | 1.55% | 7.59% | 13.65% | 6.84% |
| International Core | | | | | | | | | | | | |
| Brandywine | 31,838,957 | 2.5% | 2.5% | 1.67% | 31,250,296 | 2.4% | 2.5% | 0.27% | 1.94% | 9.65% | N/A | N/A |
| <i>Lehman Global Aggregate (ex-US)</i> | | | | 2.38% | | | | -0.70% | 1.66% | 5.20% | N/A | N/A |
| TOTAL INTERNATIONAL FIXED INCOME | 63,057,932 | 4.9% | 5.0% | 1.99% | 61,735,333 | 4.8% | 5.0% | -0.34% | 1.64% | 8.78% | 14.41% | 6.59% |
| <i>Citigroup Non-US Gov't Bond Index (1)</i> | | | | 2.45% | | | | -0.88% | 1.55% | 7.59% | 13.65% | 6.84% |
| REAL ESTATE | | | | | | | | | | | | |
| JMB | 8,630 | | | 0.00% | 15,736 | | | 0.00% | 0.00% | 1.45% | -5.90% | -3.04% |
| INVESCO | 27,308,242 | | | 0.30% | 27,226,389 | | | -0.17% | 0.13% | 6.72% | 5.80% | 7.59% |
| J.P. Morgan | 34,724,217 | | | 1.02% | 34,375,156 | | | 0.68% | 1.70% | 11.11% | 7.63% | 9.54% |
| TOTAL REAL ESTATE | 62,041,089 | 4.8% | 5.0% | 0.68% | 61,617,282 | 4.8% | 5.0% | 0.28% | 0.97% | 8.87% | 6.70% | 8.55% |
| <i>NCREIF TOTAL INDEX</i> | | | | 1.03% | | | | 1.03% | 2.08% | 10.82% | 8.40% | 9.33% |
| ALTERNATIVE INVESTMENTS | | | | | | | | | | | | |
| Brinson IVCF II | 211,159 | | | 0.00% | 212,255 | | | 0.00% | 0.00% | 19.39% | -7.72% | 4.43% |
| Coral Partners II | 120,310 | | | 0.00% | 120,310 | | | 0.00% | 0.00% | 14.14% | -16.27% | -15.91% |
| Coral Partners V | 5,894,884 | | | 0.00% | 5,921,721 | | | 0.00% | 0.00% | -31.07% | -34.06% | -13.63% |
| Coral Partners V - Supplemental | 701,057 | | | 0.00% | 704,240 | | | 0.00% | 0.00% | 30.44% | N/A | N/A |
| Coral Partners VI | 3,812,459 | | | 0.00% | 3,898,860 | | | 0.00% | 0.00% | -21.72% | N/A | N/A |
| Brinson 1998 Partnership Fund | 1,631,357 | | | 0.00% | 1,638,765 | | | 0.00% | 0.00% | 9.41% | -7.52% | 3.66% |
| Brinson 1999 Partnership Fund | 2,445,417 | | | 0.00% | 2,734,739 | | | 0.00% | 0.00% | 14.66% | -9.09% | -1.33% |
| Brinson 2000 Partnership Fund | 4,520,755 | | | 0.00% | 4,541,283 | | | 0.00% | 0.00% | 11.19% | -6.65% | N/A |
| Brinson 2001 Partnership Fund | 2,086,633 | | | 0.00% | 2,096,109 | | | 0.00% | 0.00% | 6.64% | -2.03% | N/A |
| Brinson 2002 Partnership Fund | 1,185,411 | | | 0.00% | 1,190,794 | | | 0.00% | 0.00% | 14.42% | N/A | N/A |
| Brinson 2003 Partnership Fund | 163,020 | | | 0.00% | 163,760 | | | 0.00% | 0.00% | -4.63% | N/A | N/A |
| Brinson 1999 Non-US Partnership Fund | 1,374,021 | | | 0.00% | 1,380,260 | | | 0.00% | 0.00% | 21.09% | 8.14% | 4.24% |
| Brinson 2000 Non-US Partnership Fund | 1,715,899 | | | 0.00% | 1,723,690 | | | 0.00% | 0.00% | 15.38% | 5.71% | N/A |
| Brinson 2001 Non-US Partnership Fund | 1,072,781 | | | 0.00% | 1,077,652 | | | 0.00% | 0.00% | 16.63% | 3.39% | N/A |
| Brinson 2002 Non-US Partnership Fund | 1,611,597 | | | 0.00% | 1,618,915 | | | 0.00% | 0.00% | 18.67% | N/A | N/A |
| Brinson 2003 Non-US Partnership Fund | 381,908 | | | 0.00% | 383,642 | | | 0.00% | 0.00% | -3.93% | N/A | N/A |
| Brinson 2004 Non-US Partnership Fund | 73,912 | | | 0.00% | 74,248 | | | 0.00% | 0.00% | N/A | N/A | N/A |
| Brinson BVCF IV | 7,804,840 | | | 0.00% | 7,840,281 | | | 0.00% | 0.00% | 21.17% | -9.85% | -10.01% |
| Matlin Patterson Global Opportunities | 8,761,866 | | | 0.00% | 11,217,741 | | | 0.00% | 0.00% | 13.00% | N/A | N/A |
| InvestAmerica | 1,875,336 | | | 0.00% | 1,883,852 | | | 0.00% | 0.00% | -7.73% | N/A | N/A |
| Hearthstone MSII | 916,934 | | | 0.00% | 445,638 | | | 0.00% | 0.00% | 28.64% | 20.32% | N/A |
| Hearthstone MSIII | 11,027,592 | | | 0.00% | 9,044,928 | | | 0.00% | 0.00% | N/A | N/A | N/A |
| TOTAL ALTERNATIVE INVESTMENTS (2) | 59,389,147 | 4.6% | 5.0% | 0.00% | 59,913,684 | 4.7% | 5.0% | 0.00% | 0.00% | 3.23% | -12.85% | -1.69% |
| CASH EQUIVALENTS | | | | | | | | | | | | |
| Northern Trust STIF/STEP | 13,812,960 | 1.1% | 1.0% | 0.11% | 11,705,844 | 0.9% | 1.0% | 0.12% | 0.23% | 1.44% | 1.86% | 3.48% |
| <i>90 Day T-Bill</i> | | | | 0.12% | | | | 0.12% | 0.24% | 0.98% | 1.71% | 3.29% |
| TOTAL FUND | 1,288,689,532 | 100.0% | 100.0% | 1.00% | 1,277,819,473 | 100.0% | 100.0% | -2.19% | -1.21% | 16.66% | 4.65% | 3.78% |
| POLICY TARGET BENCHMARK | | | | 1.02% | | | | -1.72% | -0.71% | 14.79% | 4.29% | 3.62% |

NOTE: Monthly returns and market values are preliminary and subject to change.

(1) Previously this benchmark was titled Salomon Brothers Non-US Gov't Bond Index.